

Japanese Carbon and Alloy Flat Products Exclusion Request**Product Category:** Cold-Rolled Products (#4)

(a)	Product Designation/HTS	<u>High Carbon Cold-Rolled Steel</u> 7209.18, 7209.17, 7209.16, 7209.15, 7225.50, 7209.18.60.00, 7209.18.25.50
(b)	Product Description	<p>1. Grade: Cold-rolled steel sheets in coil, SAE 1050, SAE 1075 and SAE 1074, spheriodized annealed, with: Surface: Light Matte Finish, Thickness: 0.010" - 0.0915", Width: 36"-52", Edge: Slit Edge, Weld: No Weld, Coil I/D: 20", Coil O/D: 60" Max</p> <p>Thickness Tolerance (Center of Sheets): +/- 0.00025" for thickness from 0.010" to less than 0.015" +/- 0.00030" for thickness from 0.015" to less than 0.025" +/- 0.00040" for thickness from 0.025" to less than 0.0915"</p> <p>Cleanliness: Rating 1.0 Max by ASTM E45, Method-A Restricted Carbon Range: 0.02 points</p> <p>2. Carbon content of 0.45% or higher, with spheriodized annealing, and with thickness tolerance (center of sheets) of +/- 5% or -0%/+10% and; (1) HRB hardness maximum of 85 for grade SAE1050, or (2) HRB hardness maximum of 90 for grade SAE 1070 or SAE 1075</p> <p>3. SAE 8660 (modified): C : 0.66 - 0.7%, Si : 0.2 - 0.35%, Mn : 0.35 - 0.45%, P : 0 - 0.020%, S : 0 - 0.005%, Cu : 0 - 0.05%, Ni : 0.65 - 0.80%, Cr : 0.45 - 0.55%, Mo : 0.11 - 0.15%, V : 0 - 0.01%, Al : 0.020 - 0.040%, Ti : 0.015 - 0.025%, Nb : 0 - 0.010%, (for all contents, Min/Max both inclusive)</p> <p>4. SAE 1074 (modified): C: 0.70 - 0.78%, Mn: 0.6 - 0.7%, P: Equal to or less than 0.020%, S: Equal to or less than 0.010%, Non-Metallic Inclusion Content by ASTM-E45: 1.0 Max, (for all contents, Min/Max both inclusive)</p>
(c)	Basis for Exclusion	See text below
(d)	Names and Location of U.S. and Foreign Producers	See Attachment A
(e)	U.S. Consumption	See Attachment B
(f)	U.S. Production	See Attachment B
(g)	Substitutable Products	See Attachment C

Attorney Contact: Matthew R. Nicely (202-429-4705, mnicely@willkie.com) or
 Julia K. Eppard (202-429-4709, jeppard@willkie.com)
Willkie Farr & Gallagher

High quality high carbon steel is used to produce fasteners and other items for the automotive industry. Japan is able to consistently produce a high quality product to which the domestic product cannot compare. Imports of this product are essential to U.S. purchasers. Robert Pierson of American Steel & Aluminum Corporation explained the drastic differences between the Japanese and the American products.¹ He stated that if American Steel & Aluminum Corporation, “were no longer able to sell Japanese high carbon cold-rolled steel we would lose approximately thirty percent of our business.”² These consistency issues create more waste and scrap when the high carbon steel is processed--decreasing the processing company’s productivity.

In fact, the product is so poor, that price is not even a factor in its purchase. Mr. Pierson stated that even though the domestic high carbon steel is selling for ten percent below the Japanese cost, American Steel & Aluminum Corporation, “cannot afford to buy a poorer quality product. Therefore, I will pay more....”³ The low quality product of the U.S. steel industry is not being harmed by imports because the prices of the imports are higher, and the domestic product simply does not meet the high-quality or dimensional needs of some of the U.S. customers.

There are some grades of this high-carbon cold rolled steel that are not available domestically. Mr. Pierson recently sought to [] **Attachment E**
 []⁴ Additionally, Harold Wood, President of Feroletto Steel, explained that SAE1074, 1050, and 1075 are supplied only by imports.⁵ Because the domestic mills do not produce these products, these should not be given increased tariffs.

Feroletto Steel supplies customers in the automotive industry, the electrical component industry, and furniture manufacturers. Mr. Wood spoke to the superior quality of the Japanese Steel. “[T]he Japanese products have superior surface smoothness, grain size, and reflectivity. . . . So, if we use the domestic steel product instead, we would not meet our customers’ specifications.”⁶ The domestic manufacturers are unable to meet the quality of the

¹ See Affidavit of Robert Pierson, President of American Steel & Aluminum Corporation (**Attachment D**). American Steel & Aluminum purchases high-carbon cold-rolled steel that falls within the first definition above – a product produced by [] of Japan (emphasis added).

² *Id.* (emphasis added).

³ *Id.*

⁴ See Attachment E.

⁵ See Affidavit of Harold Wood, President of Feroletto Steel (**Attachment D**). Feroletto buys high carbon cold-rolled steel according to the second definition provided above.

⁶ *Id.*

imports and customers who rely on these imports will be severely impacted by quotas or increased tariffs.

Furthermore, imported high carbon cold-rolled steel is typically more expensive than U.S. cold-rolled steel. As shown in **Attachment B**, the unit price for high carbon cold-rolled steel from Japan ranged from [] during the POI. Compare these prices to the pricing data collected by the Commission for selected pricing products which are intended to be representative of U.S. prices of cold-rolled steel products in general. This attachment demonstrates the significant overselling of these specialty products imported from Japan. Price is not an issue with U.S. customers who rely on the high-quality Japanese imports. Mr. Wood stated:

Even if we have been offered a lower price by domestic producers and other foreign producers over the course of the past 2 years, the quality of products from domestic producers could not meet the requirements of our customers. So, we have had to use the Japanese high carbon cold-rolled steel. In other words, to us price is not an issue.

These high priced imports have no detrimental effect on the domestic industry and warrant exclusion from any 201 remedy.

Given the U.S. industry's inability to make a satisfactory product, U.S. purchasers must be allowed continued, unrestricted access to high carbon cold-rolled steel. The Commission should take into consideration the possible economic harm that any remedy would have on customers like American Steel & Aluminum and Feroletto Steel. A remedy is not warranted for this product because it would cause more harm than good and Feroletto Steel. Therefore, the USTR should exclude this product from any possible safeguards remedy.

Attachment A

Foreign Producers

(1) NKK Corporation

- Address: 1-1-2, Marunouchi Chiyoda-ku, Tokyo 100, Japan
- Phone: 011-81-3-3217-2444
- Fax: 011-81-3-3214-8417

(2) Sumitomo Metal Industries, Ltd.

- Address: Triton Square Office Tower Y, 8-11, Harumi 1-chome, Chuo-ku, Tokyo 104-61111, Japan
- Phone: 011-81-3-4416-6148
- Fax: 011-81-3-4416-6788

(3) Kobe Steel, Ltd.

- Address: 9-12, Kita-Shinagawa 5-chome, Shinagawa-ku, Tokyo 141-8688, Japan
- Phone: 011-81-3-5739-6152
- Fax: 011-81-3-5739-6923

(4) Sollac (France)

Domestic Producers

- No Known Domestic Producers

COLD-ROLLED**High Carbon Cold-Rolled Steel**

Quantity						January - June		Projections				
Company	1996	1997	1998	1999	2000	YTD 2000	YTD 2001	2001	2002	2003	2004	2005
[7,906	10,101	11,112	5,181	4,184	0	4,602	7,118	7,906	8,109	7,773	8,054
	12,650	10,770	8,662	4,258	1,603	0	1,163	1,873	1,873	1,873	1,873	1,873
	11,919	18,949	10,717	6,129	3,677	1,224	1,887	3,351	2,580	2,793	2,580	2,580
Total	32,475	39,820	30,490	15,568	9,465	1,224	7,652	12,342	12,360	12,775	12,227	12,507]
Value *						January - June		Projections				
Company	1996	1997	1998	1999	2000	YTD 2000	YTD 2001	2001	2002	2003	2004	2005
[4,766,193	5,606,948	5,067,758	2,951,880	2,113,396	433,548	2,428,027	3,195,474	3,279,763	3,364,052	3,776,836	3,913,678
	8,534,712	7,124,728	5,626,428	2,521,189	1,106,291	68,883	680,069	1,185,963	1,095,752	1,095,752	1,095,752	1,095,752
	9,159,853	13,408,888	8,094,173	3,824,642	2,927,859	1,021,789	1,247,588	2,062,729	1,728,853	1,871,186	1,871,186	1,728,853
Total	22,460,758	26,140,564	18,788,359	9,297,712	6,147,546	1,524,219	4,355,684	6,444,167	6,104,368	6,330,990	6,743,774	6,738,283]
Unit Price	0	0	0	0	0	0	0					
U.S. Production	0	0	0	0	0	0	0	0	0	0	0	0
Imports from Other Countries	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown
Total U.S. Consumption	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown

Attachment C

Known Substitutable Products: None

U.S. Production: None

U.S. Producers: None

PUBLIC VERSION

**AFFIDAVIT OF ROBERT PIERSON
PRESIDENT, AMERICAN STEEL & ALUMINUM CORPORATION**

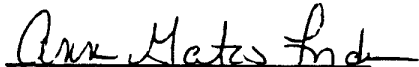
I, Robert Pierson, declare and state to the best of my knowledge, information, and belief, that:

1. I am the President of American Steel & Aluminum Corporation in Auburn Massachusetts. American Steel & Aluminum Corporation is a service center and we process high carbon cold-rolled steel. We purchase it from both U.S. and Japanese producers and slit it down for our customers. The automotive industry is a large consumer of high carbon cold-rolled steel and they use it to produce fasteners, among other things.
2. Even though we do purchase some domestic steel, the Japanese steel is essential to our business for several reasons. Most importantly, some of our customers value the high quality of the Japanese steel and specifically request it from us. Because of the lower quality of the domestic steel, we must be selective on where we distribute and sell it. Only customers who do not mind the lower quality will purchase it. Also, the consistency issue with the domestic steel creates more waste and scrap when we process it and this hurts our productivity. If we were no longer able to sell Japanese high carbon cold-rolled steel we would lose approximately thirty percent of our business. As you can see, this is an important part of our operations.
3. Price is not an issue when I decide where I am going to purchase high carbon cold-rolled steel. In fact, the domestic steel industry is selling it for about ten percent below the Japanese prices. Of course, I would prefer to buy a more inexpensive product, but because of my customers' demands, I cannot afford to buy a poorer quality product. Therefore, I will pay more to purchase the higher-quality, more consistent Japanese high carbon cold-rolled steel.
4. Another issue is that the domestic industry does not offer this product in all of the dimensions that the Japanese are capable of producing. Sure, the domestic industry will say it can do it, but until they are able to provide us consistently with such a product, we cannot rely on their assertions. Without the Japanese imports of this product we would lose about twenty percent of our business that is in sizes that the U.S. steel industry does not produce.
5. We have been purchasing from the Japanese industry for over twenty years. They have established themselves as a high-quality and reliable supplier. American Steel & Aluminum Corporation's business would be hurt if we were not able to purchase Japanese high carbon cold-rolled steel. For these reasons this product should be excluded from the 201 steel investigation.


Robert Pierson

Dated: 9/8/01

Subscribed and sworn to before me this 8th day of September, 2001.



Notary Public

My commission expires:

April 26, 2002

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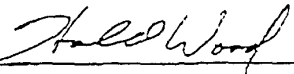
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AFFIDAVIT OF HAROLD WOOD

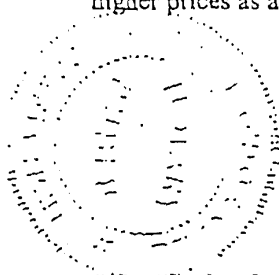
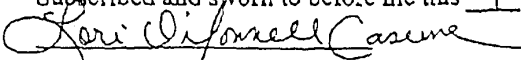
President of Feroletto Steel

I, Harold Wood, declare and state to the best of my knowledge, information, and belief, that:

1. I am the President of Feroletto Steel in Fairfield, Connecticut. I have been working for this company since 1968 and over the years, I have purchased various steel products from various suppliers. Our company purchases high-carbon cold rolled steel products from [].
2. Our customers are very diverse; they are automotive manufacturers, electrical component manufacturers, furniture manufacturers, and other general/commercial suppliers. All of our customers are dependent upon an uninterrupted supply of quality high-carbon cold-rolled steel to maintain the quality of their respective products for the ultimate customers in the United States.
3. To begin with, the reason we have been using the Japanese steel products is because no US steel producer can make as high a quality high-carbon cold rolled steel product to meet our requirements. The Japanese mills make unique products that are not available from US domestic producers. Specifically, SAE 1050, SAE 1074, and SAE 1075 products can be satisfactorily manufactured and supplied only by the Japanese or French producers. I am not sure why domestic producers cannot make it, but one clear thing is we cannot get what we need from domestic producers.
4. The Japanese mills are providing us with unique products with the requisite quality to meet the specifications of our customers. Specifically, the Japanese products have superior surface smoothness, grain size, and reflectivity. Our customers give us very detailed specifications and those are the qualities that enable us to meet such strict requirements of our customers. For example, electrical components to be used in electrical equipments require steel product that has consistent, smooth surface. So, if we use the domestic steel product instead, we would not meet our customers' specifications.
5. Even if we have been offered a lower price by domestic producers and other foreign producers over the course of the past 2 years, the quality of products from domestic producers could not meet the requirements of our customers. So, we have had to use the Japanese high carbon cold-rolled steel. In other words, to us price is not an issue.
6. If the Japanese imports are subject to duties, it will certainly affect our business, our subcontractors, and their immediate customers. But it is the ultimate U.S. end-users that would be eventually harmed the most, who would need these imported high quality steel products and would have to pay higher prices as a result of the duties.


Mr. Harold Wood
President of Feroletto Steel.
Fairfield, Connecticut
Dated: Nov. 9 2001

Subscribed and sworn to before me this 9 day of November, 2001



Notary Public #114201
My commission expires: 12/31/2006

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NOT CAPABLE OF SUMMARY